

FCC Form 451 - Carrier Annual Reporting
Data Collection Form

<010> Study Area Code	432022	
<015> Study Area Name	SALINA- SPAVINAW TEL	
<020> Program Year	2014	Received & Inspected
<030> Contact Name: Person USAC should contact with questions about this data	Scott Boone	OCT 25 2013
<035> Contact Telephone Number: Number of the person identified in data line <030>	918-496-8166	FCC Mail Room
<039> Contact Email Address: Email of the person identified in data line <030>	sboone@sstelco.com	

ANNUAL REPORTING FOR ALL CARRIERS

<100> Service Quality Improvement Reporting	(complete attached worksheet)	(check box when complete)	<input checked="" type="checkbox"/>
<200> Outage Reporting (voice)	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<210> <input checked="" type="checkbox"/> <-- check box if no outages to report			
<300> Unfulfilled Service Requests (voice)	0	<input checked="" type="checkbox"/>	
<310> Detail on Attempts (voice)	432022ok310	<input checked="" type="checkbox"/>	
<320> Unfulfilled Service Requests (broadband)			
<330> Detail on Attempts (broadband)			
<400> Number of Complaints per 1,000 customers (voice)		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<410> Fixed	0.0		
<420> Mobile			
<430> Number of Complaints per 1,000 customers (broadband)			
<440> Fixed			
<450> Mobile			
<500> Service Quality Standards & Consumer Protection Rules Compliance	(check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<510> 432022ok510	(attached descriptive document)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<600> Functionality in Emergency Situations	(check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<610> 432022ok610	(attached descriptive document)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<700> Company Price Offerings (voice)	(complete attached worksheet)		
<710> Company Price Offerings (broadband)	(complete attached worksheet)		
<800> Operating Companies and Affiliates	(complete attached worksheet)		
<900> Tribal Land Offerings (Y/N)? <input checked="" type="radio"/> <input type="radio"/>	(if yes, complete attached worksheet)	<input checked="" type="checkbox"/>	
<1000> Voice Services Rate Comparability	(check to indicate certification)		
<1010>	(attach descriptive document)		
<1100> Terrestrial Backhaul (Y/N)? <input checked="" type="radio"/> <input type="radio"/>	(if not, check to indicate certification)	<input checked="" type="checkbox"/>	
<1110>	(complete attached worksheet)		
<1200> Terms and Condition for Lifeline Customers	(complete attached worksheet)		<input checked="" type="checkbox"/>

Price Cap Carriers, Proceed to Price Cap Additional Documentation Worksheet

Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers

<2000>	(check to indicate certification)	<input type="checkbox"/>
<2005>	(complete attached worksheet)	<input type="checkbox"/>

Rate of Return Carriers, Proceed to ROR Additional Documentation Worksheet

<3000>	(check to indicate certification)	<input checked="" type="checkbox"/>
<3005>	(complete attached worksheet)	<input checked="" type="checkbox"/>

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List ABCDE

**(100) Service Quality Improvement Reporting
Data Collection Form**

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

432022

<010> Study Area Code

<015> Study Area Name

SALINA-SPAIVINAW TEL

<020> Program Year

2014

<030> Contact Name - Person USAC should contact regarding this data

Scott Boone

<035> Contact Telephone Number - Number of person identified in data line <030>

918-496-8166

<039> Contact Email Address - Email Address of person identified in data line <030>

aboone@astelco.com

<110> Has your company received its ETC certification from the FCC?

(yes / no)

If your answer to Line <110> is yes, do you have an existing §54.202(a) "5

<111> year plan" filed with the FCC?

(yes / no)

If your answer to Line <111> is yes, then you are required to file a progress report, on line <112> delineating the status of your company's existing § 54.202(a) "5 year plan" on file with the FCC, as it relates to your provision of voice telephony service.

<112> Attach Five-Year Service Quality Improvement Plan or, in subsequent years, your annual progress report filed pursuant to 47 C.F.R. § 54.313(a)(1). If your company is a CETC which only receives frozen support, your progress report is only required to address voice telephony service.

Name of Attached Document (.pdf)

Please check these boxes below to confirm that the attached PDF, on line 112, contains a progress report on its five-year service quality improvement plan pursuant to § 54.202(a). The information shall be submitted at the wire center level or census block as appropriate.

<113> Maps detailing progress towards meeting plan targets

<114> Report how much universal service (USF) support was received

<115> How (USF) was used to improve service quality

<116> How (USF) was used to improve service coverage

<117> How (USF) was used to improve service capacity

<118> Provide an explanation of network improvement targets not met in the prior calendar year.

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**(200) Service Outage Reporting (Voice)
Data Collection Form**

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	432022
<015>	Study Area Name	SALINA-SPAVINAW TEL
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Scott Boone
<035>	Contact Telephone Number - Number of person identified in data line	<030> 918-496-8166
<039>	Contact Email Address - Email Address of person identified in data line	<030> sboone@astelco.com

[illegible]

(700) Price Offerings Including Voice Rate Data
Data Collection Form

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

432022

Study Area Code

Study Area Name

SALINA - SPAVINAW TEL

<020>	Program Year
-------	--------------

2014

Scott Boone

Contact Name - Person USAC should contact regarding this data
<030>

18-496-8166

<035> Contact Telephone Number - Number of person identified in data line <030>

boone@sstelco.com

<039> Contact Email Address - Email Address of person identified in data line <030>

<701>	Residential Local Service Charge	Effective Date
-------	----------------------------------	----------------

13

<702> Single State-wide Residential Local Service Charge

[illegible]

**(710) Broadband Price Offerings
Data Collection Form**

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

432022

SALINA - SPAVINAW TEL.

2014

Scott Boone

918-496-8166

> sboone@sstelco.com

<711>

[illegible]

(800) Operating Companies
Data Collection Form
FCC Form 481
OMB Control No. 3050-0986 / OMB Control No. 3050-0019
July 2013

<010>	Study Area Code	432022
<015>	Study Area Name	SALINA-SPAVINAW TEL
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Scott Boone
<035>	Contact Telephone Number - Number of person identified in data line <030>	918-496-8166
<039>	Contact Email Address - Email Address of person identified in data line <030>	sboone@astelco.com
<810>	Reporting Carrier	Salina Spavinaw Telephone Co., Inc.
<811>	Holding Company	
<812>	Operating Company	

[illegible]

**(900) Tribal Lands Reporting
Data Collection Form**

FCG Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

<010>	Study Area Code	432022
<015>	Study Area Name	SALINA-SPAVINAW TEL
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Scott Boone
<035>	Contact Telephone Number - Number of person identified in data line <030>	918-496-8166
<039>	Contact Email Address - Email Address of person identified in data line <030>	aboone@astelco.com

<910> Tribal Land(s) on which ETC Serves

All of the territory served was originally allotted to enrolled members of the Cherokee Nation and is considered former tribal land. Some allotted parcels are still owned by restricted members of the tribe. Others have been sold. There is no reservation.

<920> Tribal Government Engagement Obligation

432022ok920

Name of Attached Document (.pdf)

If your company serves Tribal lands, please select (Yes, No, NA) for each of these boxes to confirm the status described on the attached PDF, on line 920, demonstrates coordination with the Tribal government pursuant to § 54.313(a)(9) includes:

Select (Yes, No, NA)	
NA	<921> Needs assessment and deployment planning with a focus on Tribal community anchor institutions;
NA	<922> Feasibility and sustainability planning;
Yes	<923> Marketing services in a culturally sensitive manner;
NA	<924> Compliance with Rights of way processes
NA	<925> Compliance with Land Use permitting requirements
Yes	<926> Compliance with Facilities Siting rules
NA	<927> Compliance with Environmental Review processes
NA	<928> Compliance with Cultural Preservation review processes
NA	<929> Compliance with Tribal Business and Licensing requirements.

**(1100) No Terrestrial Backhaul Reporting
Data Collection Form**

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

432022

<010> Study Area Code

<015> Study Area Name

SALINA-SPAVINAW TEL

<020> Program Year

2014

<030> Contact Name - Person USAC should contact regarding this data

Scott Boone

<035> Contact Telephone Number - Number of person identified in data line <030>

918-496-8166

<039> Contact Email Address - Email Address of person identified in data line <030>

sboone@astelco.com

Please check this box to confirm no terrestrial backhaul

☐

<1120> options exist within the supported area pursuant to § 54.313(G)

Please check this box to confirm the reporting carrier offers

☐

<1130> broadband service of at least 1 Mbps downstream and 256 kbps upstream within the supported area pursuant to § 54.313(G)

(1200) Terms and Condition for Lifeline Customers

Lifeline

Data Collection Form

FCC Form 487

OMB Control No. 3060-0586 (OMB Control No. 3060-0919)

July 2013

432022

<010> Study Area Code

<015> Study Area Name

SALINA- SPAVINAW TEL

<020> Program Year

2014

<030> Contact Name - Person USAC should contact regarding this data

Scott Boone

<035> Contact Telephone Number - Number of person identified in data line <030>

918-496-8166

<039> Contact Email Address - Email Address of person identified in data line <030>

sboone@astelco.com

<1210> Terms & Conditions of Voice Telephony Lifeline Plans

Name of attached document (.pdf)

<1220> Link to Public Website

HTTP

<http://www.astelco.com/index.cfm?pageid=18>

"Please check these boxes below to confirm that the attached PDF, on line 1210, or the website listed, on line 1220, contains the required information pursuant to § 54.422(a)(2) annual reporting for ETCs receiving low-income support, carriers must annually report:

<1221> Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers, ☒

<1222> Details on the number of minutes provided as part of the plan, ☒

<1223> Additional charges for toll calls, and rates for each such plan. ☒

(2000) Price Cap Carrier Additional Documentation

Data Collected on Form

Including Rates of Return Carriers Affiliated with Price Cap Local Exchange Carriers

FCC Form 481

OMB Control No. 3060-0936/OMB Control No. 3060-0039

July 2013

432022

<010> Study Area Code

<015> Study Area Name

SALINA-SPAVINAW TEL

<020> Program Year

2014

<030> Contact Name - Person USAC should contact regarding this data

Scott Boone

<035> Contact Telephone Number - Number of person identified in data line <030>

918-496-8166

<039> Contact Email Address - Email Address of person identified in data line <030>

aboone@stetelco.com

CHECK the boxes below to note compliance as a recipient of Incremental Connect America Phase I support, frozen High Cost support, High Cost support to offset access charge reductions, and Connect America Phase II support as set forth in 47 CFR § 54.313(b),(c),(d),(e) the information reported on this form and in the documents attached below is accurate.

Incremental Connect America Phase I reporting

<2010> 2nd Year Certification {47 CFR § 54.313(b)(1)}

<2011> 3rd Year Certification {47 CFR § 54.313(b)(2)}

Price Cap Carrier Receiving Frozen Support Certification (47 CFR § 54.312(a))

<2012> 2013 Frozen Support Certification

<2013> 2014 Frozen Support Certification

<2014> 2015 Frozen Support Certification

<2015> 2016 and future Frozen Support Certification

Price Cap Carrier Connect America ICC Support (47 CFR § 54.313(d))

<2016> Certification Support Used to Build Broadband

--

Connect America Phase II Reporting (47 CFR § 54.313(e))

<2017> 3rd year Broadband Service Certification

<2018> 5th year Broadband Service Certification

<2019> Interim Progress Certification

<2020> Please check the box to confirm that the attached PDF, on line 2021, contains the required information pursuant to § 54.313 (e)(3)(iii), as a recipient of CAF Phase II support shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year.

<2021> Interim Progress Community Anchor Institutions

Name of Attached Document Listing Required Information

(3000) Rate Of Return Carrier Additional Documentation
Data Collection Form

FD-Form 481
 OMB Control No. 1060-0845/OMB Control No. 3060-0819
 July 2013

<01>	Study Area Code	432022
<01>	Study Area Name	SALINA-SPAVINAW TEL
<02>	Program Year	2014
<03>	Contact Name - Person USAC should contact regarding this data	Scott Boone
<03>	Contact Telephone Number - Number of person identified in data line <03>	918-496-8166
<03>	Contact Email Address - Email Address of person identified in data line <03>	sboone@satel.co.com

CHECK the boxes below to note compliance on its five year service quality plan (pursuant to 47 CFR § 54.202(a)) and, for privately held carriers, ensuring compliance with the financial reporting requirements set forth in 47 CFR § 54.313(f)(2). I further certify that the information reported on this form and in the documents attached below is accurate.

Progress Report on 5 Year Plan	Name of Attached Document Listing Required Information	(Yes/No)
(3010) Milestone Certification (47 CFR § 54.313(f)(1)(i)) Please check this box to confirm that the attached PDF, on line 3012, contains the required information pursuant to § 54.313 (f)(1)(ii), as a recipient of CAF Phase II support shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year.		<input type="checkbox"/>
(3011) Community Anchor Institutions (47 CFR § 54.313(f)(1)(iii)) Is your company a Privately Held ROR Carrier (47 CFR § 54.313(f)(2)) If yes, does your company file the RUS annual report Please check these boxes to confirm that the attached PDF, on line 3017, contains the required information pursuant to § 54.313(f)(2) compliance requires: Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers)		<input checked="" type="checkbox"/> (Yes/No) <input type="checkbox"/> (Yes/No)
(3012) PDF of Balance Sheet, Income Statement and Statement of Cash Flows If the response is yes on line 3014, attach your company's RUS annual report and all required documentation If the response is no on line 3014, is your company audited? If the response is yes on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains:		<input type="checkbox"/> <input type="checkbox"/>
(3013) Either a copy of their audited financial statement; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications PDF of Balance Sheet, Income Statement and Statement of Cash Flows Management letter issued by the independent certified public accountant that performed the company's financial audit.		<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
(3014) If the response is no on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains: Copy of their financial statement which has been subject to review by an independent certified public accountant; or 2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers, Underlying information subjected to a review by an independent certified public accountant		<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
(3015) Underlying information subjected to an officer certification. PDF of Balance Sheet, Income Statement and Statement of Cash Flows Attach the worksheet listing required information		<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
(3016) Name of Attached Document Listing Required Information		432022ok3026

Certification - Reporting Carrier Data Collection Form		EOC Form 431 OMB Control No. 3060-0086/OMB Control No. 3060-0819 July 2011
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<010>	Study Area Code	432022
<015>	Study Area Name	SALINA-SPAVINAW TEL
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Scott Boone
<035>	Contact Telephone Number - Number of person identified in data line <030>	918-496-8166
<039>	Contact Email Address - Email Address of person identified in data line <030>	sboone@stelco.com

TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:

Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients	
I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.	
Name of Reporting Carrier:	SALINA-SPAVINAW TEL
Signature of Authorized Officer:	CERTIFIED ONLINE
Date	10/04/2013
Printed name of Authorized Officer:	Scott Boone
Title or position of Authorized Officer:	CFO
Telephone number of Authorized Officer:	918-496-8166
Study Area Code of Reporting Carrier:	432022
Filing Due Date for this form:	10/15/2013
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

**Certification - Agent / Carrier
Data Collection Form**

 FCC Form 481
 Date Control No. 3060-0055 / Mail Control No. 3060-0019
 01/2013

<010>	Study Area Code	432022
<015>	Study Area Name	SALINA-SPAVINAW TEL
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Scott Boone
<035>	Contact Telephone Number - Number of person identified in data line <030>	918-496-8166
<039>	Contact Email Address - Email Address of person identified in data line <030>	sboone@stelco.com

TO BE COMPLETED BY THE REPORTING CARRIER, IF AN AGENT IS FILING ANNUAL REPORTS ON THE CARRIER'S BEHALF:

Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I certify that (Name of Agent) _____ is authorized to submit the information reported on behalf of the reporting carrier. I also certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the authorized agent; and, to the best of my knowledge, the reports and data provided to the authorized agent is accurate.	
Name of Authorized Agent: _____	
Name of Reporting Carrier: _____	
Signature of Authorized Officer: _____	Date: _____
Printed name of Authorized Officer: _____	
Title or position of Authorized Officer: _____	
Telephone number of Authorized Officer: _____	
Study Area Code of Reporting Carrier: _____	Filing Due Date for this form: _____
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

TO BE COMPLETED BY THE AUTHORIZED AGENT:

Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I, as agent for the reporting carrier, certify that I am authorized to submit the annual reports for universal service support recipients on behalf of the reporting carrier; I have provided the data reported herein based on data provided by the reporting carrier; and, to the best of my knowledge, the information reported herein is accurate.	
Name of Reporting Carrier: _____	
Name of Authorized Agent or Employee of Agent: _____	
Signature of Authorized Agent or Employee of Agent: _____	Date: _____
Printed name of Authorized Agent or Employee of Agent: _____	
Title or position of Authorized Agent or Employee of Agent: _____	
Telephone number of Authorized Agent or Employee of Agent: _____	
Study Area Code of Reporting Carrier: _____	Filing Due Date for this form: _____
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

Attachments

(800) Operating Companies

Data Collection Form

FCC Form 481

OMB Control No. 3050-0385 / OMB Control No. 3050-0319

July 2013

432022

<010> Study Area Code

<015> Study Area Name

<020> Program Year

<030> Contact Name - Person USAC should contact regarding this data

<035> Contact Telephone Number - Number of person identified in data line <030>

<039> Contact Email Address - Email Address of person identified in data line <030>

<810> Reporting Carrier

<811> Holding Company

<812> Operating Company

<813>

Affiliates

SAC

Doing Business As Company or Brand Designation

None

Salina Spavinaw Telephone Co., Inc.
SA 432022

Unfulfilled Service Requests(Voice)

Salina Spavinaw Telephone Co., Inc. has and still fulfills each request for voice service. We have never had unfulfilled requests for voice service in our territory. In the past, with the support of universal service funds, our obligation has been to fulfill each of the requests, which we did accomplish.

Service Quality Certification

Salina Spavinaw Telephone Co., Inc.

SA 432022

Salina Spavinaw Telephone Co., Inc. has always maintained the highest level of quality possible. From installation to follow-up with the subscriber, we have continued to supply service above the levels the Oklahoma Corporation Commission and FCC have required for both technical service and consumer service. The company enforces the CPNI rules and provide consumer protection and service at the highest levels, supported by the data of no complaints filed with the Oklahoma Corporation Commission in the 2012 calendar year. It abides by the standards established by the Oklahoma Corporation Commission Telecommunication rules under Chapter 55.

Emergency Certification

Salina Spavinaw Telephone Co., Inc.

SA 432022

Salina Spavinaw Telephone Co., Inc. has several items in place in order to operate in emergency situations. All of our switches and remotes can continue to operate within their local calling scope if a situation has occurred outside of our area. The switches all have battery backup and generators to allow for functionality in times of emergencies. We have seen this through tornadoes and ice storms. Most of our facilities are underground, thus avoiding much of the storm related issues. All of our billing data and computer information is also backed up in at least 2 separate locations. In addition to these precautions, all members of management have a disaster recovery guide with all relevant information in case of emergencies.

**Salina Spavinaw Telephone Co., Inc.
432022**

Tribal Government Engagement Obligation

Salina Spavinaw Telephone Co., Inc. serves tribal lands in the state of Oklahoma. There is no reservation land in the serving area. We do market in a culturally sensitive manner due to the number of tribal members in our service area. We also have one remote office on tribal land in which we have an agreement with the tribe on a 99 year lease. The tribal headquarters are not in our serving area. We work with the tribe in our normal capacity on any of their projects which may affect our facilities and the same is for them. Overall, very little contact actually takes place or is necessary.



Independent Auditors' Report

The Board of Directors and Stockholders
Salina-Spavinaw Telephone Company, Inc. and Subsidiaries
Salina, Oklahoma

We have audited the accompanying consolidated balance sheets of Salina-Spavinaw Telephone Company, Inc. and Subsidiaries as of June 30, 2012 and 2011, and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Salina-Spavinaw Telephone Company, Inc. and Subsidiaries as of June 30, 2012 and 2011, and the consolidated results of their operations and their consolidated cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2012 on our consideration of Salina-Spavinaw Telephone Company, Inc. and Subsidiaries' internal control over financial reporting and on our tests of their ~~compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.~~ The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

October 15, 2012

**SALINA-SPAVINAW TELEPHONE COMPANY, INC.
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS**

<i>June 30,</i>	2012	2011
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 884,204	\$ 614,025
Temporary cash investments	9,130,264	6,730,091
Accounts receivable:		
Due from customers, net	23,684	20,889
Unbilled toll revenue	36,297	41,130
Other	851,850	793,555
Refundable income taxes	34,925	980,199
Materials and supplies	217,398	227,852
Prepaid expenses	424,863	18,612
Total Current Assets	11,603,485	9,426,353
Noncurrent Assets:		
Investments:		
Nonregulated activities	40,962	41,836
Noncurrent securities	355,303	-
Prepaid expenses	778,622	-
Other	2,654	2,654
Total Noncurrent Assets	1,177,541	44,490
Property, Plant, and Equipment, at cost:		
Telephone plant in service	35,083,740	33,919,000
Telephone plant under construction	248,361	597,652
	35,332,101	34,516,652
Less accumulated depreciation	29,619,570	28,169,725
Net Property, Plant, and Equipment	5,712,531	6,346,927
	\$ 18,493,557	\$ 15,817,770

The accompanying notes are an integral part of the consolidated financial statements.

2012

2011

LIABILITIES AND STOCKHOLDERS' EQUITY**Current Liabilities:**

Current maturities of long-term debt	\$ 274,253	\$ 260,904
Accounts payable - trade	130,694	392,668
Accounts payable - long distance carriers and access service providers	48,544	41,978
Customer deposits	12,142	14,793
Accrued taxes - other	86,488	79,118
Other accrued liabilities	190,782	196,193

Total Current Liabilities	742,903	985,654
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Deferred Tax Liability	1,574,983	375,178
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Long-term Debt	1,371,439	1,645,338
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Total Liabilities	3,689,325	3,006,170
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Stockholders' Equity:

Common stock, \$100 par value; authorized 1,750 shares; issued and outstanding 1,250 shares	125,000	125,000
Additional paid-in capital	18,252	18,252
Retained earnings	14,660,980	12,668,348

Total Stockholders' Equity	14,804,232	12,811,600
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\$ 18,493,557	\$ 15,817,770
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**SALINA-SPAVINAW TELEPHONE COMPANY, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME**

<i>Years Ended June 30,</i>	2012	2011
Operating Revenue:		
Regulated Activities:		
Local service	\$ 1,162,490	\$ 1,225,301
Long distance and access service	4,775,038	4,970,159
Miscellaneous	177,305	193,465
Uncollectible revenue	(27,584)	(27,927)
Nonregulated Activities:		
Internet	1,628,950	1,489,247
Customer premises	195,628	193,569
Long distance	266,231	299,921
Total Operating Revenue	8,178,058	8,343,735
Operating Expenses:		
Regulated Activities:		
Plant specific	2,086,853	1,817,904
Plant nonspecific:		
Depreciation and amortization	1,850,473	1,631,080
Network and other	502,008	526,611
Customer operations	429,688	457,898
Corporate operations	1,289,051	1,384,538
Operating taxes, other than income taxes	166,865	170,190
Nonregulated Activities:		
Internet	1,031,012	1,012,527
Customer premises	237,402	280,028
Long distance	297,661	339,448
Rental and other	15,466	58,181
Total Operating Expenses	7,906,479	7,678,405
Net Operating Income	271,579	665,330
Other Income (Expense):		
Interest Income	39,112	64,915
Recovery of impairment of nonoperating investment	4,040,000	-
Other nonoperating expense	(160,373)	(271,167)
Interest Expense	(90,161)	(102,557)
Total Other Income (Expense)	3,828,578	(308,809)
Net Income Before Taxes	4,100,157	356,521
Income Tax Expense	(1,507,525)	(54,855)
Net Income	2,592,632	301,666
Retained Earnings, beginning of year	12,668,348	12,966,682
Dividends	(600,000)	(600,000)
Retained Earnings, end of year	\$ 14,660,980	\$ 12,668,348

The accompanying notes are an integral part of the consolidated financial statements.

**SALINA-SPAVINAW TELEPHONE COMPANY, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS**

<i>Years Ended June 30,</i>	2012	2011
Cash Flows From Operating Activities:		
Net income	\$ 2,592,632	\$ 301,666
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,916,547	1,691,698
Gain on disposal of property, plant and equipment	(38,827)	(64,046)
Deferred income taxes	1,199,805	400,667
Increase in accounts receivable	(56,257)	(282,988)
(Increase) decrease in materials and supplies, prepaid expenses and other assets	(1,174,419)	26,467
Change in refundable income taxes and income taxes payable	945,274	(1,149,220)
Increase (decrease) in accounts payable, accrued expenses, and customer deposits	(256,100)	214,543
Net Cash Provided by Operating Activities	5,128,655	1,138,787
Cash Flows From Investing Activities:		
Expansion and replacement of property, plant, and equipment	(1,216,077)	(2,606,030)
Proceeds from disposal of property, plant and equipment	38,827	64,046
Purchases of investment securities	(3,796,959)	(2,060,407)
Proceeds from maturity of investment securities	1,041,483	4,235,553
Additions to nonregulated assets	(65,200)	(74,138)
Net Cash Used in Investing Activities	(3,997,926)	(440,976)
Cash Flows From Financing Activities:		
Principal payments on long-term debt	(260,550)	(248,283)
Dividends paid	(600,000)	(600,000)
Net Cash Used in Financing Activities	(860,550)	(848,283)

The accompanying notes are an integral part of the consolidated financial statements.

<i>Years Ended June 30,</i>	2012	2011
Increase (Decrease) in Cash and Cash Equivalents	\$ 270,179	\$ (150,472)
Cash and Cash Equivalents, beginning of year	<u>614,025</u>	<u>764,497</u>
Cash and Cash Equivalents, end of year	<u>\$ 884,204</u>	<u>\$ 614,025</u>

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

Interest paid	\$ 90,161	\$ 102,557
Income taxes paid, net of refunds received	\$ -	\$ 847,938
Income taxes refunded, net of amounts paid	\$ 637,554	\$ -

**SALINA-SPAVINAW TELEPHONE COMPANY, INC.
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Description of Business: The accompanying consolidated financial statements include the accounts of Salina-Spavinaw Telephone Company, Inc., and its wholly-owned subsidiaries, collectively referred to as the Company:

Sal-Spav Leasing, Inc. ("Leasing")
Sky Signal Wireless TV, Inc. ("Sky Signal")
SST Long Distance, Inc. ("Long Distance")
SST Solutions, Inc. ("Solutions")

The Company operates a general telephone business in Salina, Oklahoma with exchanges in Northeastern Oklahoma. Leasing's primary activity involves the leasing of vehicles to the Company. Sky Signal was created in order to operate a wireless television network in the State of Oklahoma. Long Distance is a re-seller of long-distance services. Solutions was formed to handle internet protocol television. Intercompany transactions and balances have been eliminated in consolidation. During the fiscal years ended June 30, 2012 and 2011, Sky Signal and Solutions were primarily dormant with little to no operational activity.

General: The Company maintains its accounts in accordance with Part 32 of the Uniform System of Accounts prescribed by the Federal Communications Commission ("FCC") and adopted by the Oklahoma Corporation Commission and the Rural Utilities Service ("RUS"). The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which are consistent in all material respects with the accounting prescribed by the FCC.

Cash and Cash Equivalents: For purposes of the statement of cash flows, cash equivalents include working funds and exclude the money market funds in the amount of \$6,371,445 and \$3,334,414 at June 30, 2012 and 2011, respectively, which are held for investment purposes.

The Company and its subsidiaries maintain cash balances at several banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000.

Accounts Receivable and Credit Policies: Accounts receivable consist of amounts due from subscribers, including local service, toll, taxes and applicable fees. The Company also bills and collects fees for non-regulated services. Accounts receivable are uncollateralized (however, certain customers are required to have a deposit) and due on the 15th of the month. A late fee of 10% is assessed if the receivable has not been paid by the 15th. Accounts receivable are stated at the amount billed. The carrying amount of accounts receivable is reduced by a valuation allowance which reflects management's best estimate of amounts that will not be collected.

**SALINA-SPAVINAW TELEPHONE COMPANY, INC.
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011**

Investments: Temporary cash investments consist of money market funds and certificates of deposit maturing within one year and are carried at amortized cost which approximates fair value. Noncurrent securities consist of certificates of deposit maturing between one and two years and are carried at amortized cost, which approximates fair value.

Nonregulated Activities: Nonregulated activities consist of the Company's investment in nonregulated assets. The nonregulated assets consist primarily of customer premises equipment. Depreciation is provided by the straight-line method over the estimated useful lives of the related assets. Repairs and maintenance are charged to expense as incurred, whereas major improvements are capitalized. Depreciation expense charged to nonregulated operations was approximately \$66,000 in 2012 and \$61,000 in 2011.

Materials and Supplies: Materials and supplies consists of inventory used in the construction of telephone plant in service and nonregulated materials and supplies held for resale, and is stated at the lower of cost, as determined using the average cost method, or market.

Property, Plant, and Equipment: Property, plant and equipment is carried at historical cost. Depreciation is provided by the straight-line method over the estimated useful lives of the related assets. Expenditures for repairs and maintenance are charged to expense as incurred, whereas major improvements are capitalized. Depreciation expense on telephone plant in service was \$1,850,473 in 2012 and \$1,631,080 in 2011.

Recognition of Local Service Revenue: Local service revenue includes customer charges for monthly local telephone service and calling features. Revenues are recorded in the month the service is provided.

Recognition of Long Distance and Access Service Revenue: Access service revenue includes interstate customer end user charges, interstate and intrastate charges assessed to long distance carriers for using the Company's facilities for their long distance communications, interstate settlements under jurisdictional reporting requirements with the National Exchange Carriers Association, and settlements from the Federal Universal Service Fund. This revenue is recognized as earned.

Oklahoma has a full access environment for intrastate toll. The Oklahoma High Cost Fund assists the Company and other participants in high cost areas to maintain their rate of return on plant investment. Long distance revenue consists primarily of settlements from the Oklahoma High Cost Fund. Revenues are recorded in the month the service is provided.

**SALINA-SPAVINAW TELEPHONE COMPANY, INC.
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011**

Recognition of Miscellaneous Revenue: Miscellaneous revenue consists primarily of fees received from long distance carriers for billing and collection services performed by the Company and directory revenue, and is recognized as earned.

Income Taxes: The Company and its subsidiaries file a consolidated income tax return. Federal and state income taxes relating to Company operations are recorded as an expense in the current period.

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes arising from temporary differences between income for financial reporting and income tax purposes. Temporary differences giving rise to deferred tax assets and liabilities consist primarily of the excess of the basis of property, plant and equipment and other assets for financial reporting purposes over the tax basis of those assets, basis differences in various investments, capital loss carryforwards for income tax purposes and other nondeductible accruals and reserves.

Accounting for Uncertain Tax Positions: ASC Topic 740, *Income Taxes*, addresses the financial statement recognition, measurement and disclosure of uncertain tax positions, and requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. If the tax position meets the more-likely-than-not recognition threshold, the tax effect is recognized at the largest amount of the benefit that is greater than 50% likely of being realized upon ultimate settlement. Any difference between the tax position taken in the tax return and the tax position recognized in the financial statements using the criteria above results in the recognition of a liability in the financial statements for the unrecognized benefit. Similarly, if a tax position fails to meet the more-likely-than-not recognition threshold, the benefit taken in the tax return will also result in the recognition of a liability in the financial statements for the full amount of the unrecognized benefit.

There were no liabilities recorded for uncertain tax positions as of June 30, 2012 and 2011. The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in process. The Company believes it is no longer subject to income tax examinations for years prior to 2008.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**SALINA-SPAVINAW TELEPHONE COMPANY, INC.
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011**

Reclassifications: Certain reclassifications have been made in the 2011 financial statements to confirm to the classifications used in 2012. The reclassifications relate to the classification of operating revenues and expenses and have no effect on net income.

Subsequent Events: Subsequent events have been evaluated through October 15, 2012, which is the date the financial statements were available to be issued.

2. ACCOUNTS RECEIVABLE -OTHER

Accounts receivable - other consists of the following:

	<u>2012</u>	<u>2011</u>
Amounts due from long distance carriers and access service pools	\$617,748	\$368,865
Special project receivable	225,283	375,592
Interest receivable	6,749	10,790
Other	<u>2,070</u>	<u>38,308</u>
	<u>\$851,850</u>	<u>\$793,555</u>

3. INVESTMENTS

Investments consist of temporary cash investments and noncurrent held-to-maturity securities, as follows:

	<u>2012</u>	<u>2011</u>
Temporary cash investments		
Money market funds	\$6,371,445	\$3,334,414
U.S. Treasury securities	-	300,000
Certificates of deposit	<u>2,758,819</u>	<u>3,095,677</u>
	9,130,264	6,730,091
Noncurrent certificates of deposit	<u>355,303</u>	-
	<u>\$9,485,567</u>	<u>\$6,730,091</u>

**SALINA-SPAVINAW TELEPHONE COMPANY, INC.
AND SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

4. INVESTMENTS IN NONREGULATED ACTIVITIES

Investments in nonregulated activities consist of the following:

	<u>2012</u>	<u>2011</u>
Customer premises equipment, net of accumulated depreciation of \$1,015,809 in 2012 and \$953,390 in 2011.	\$ 7,120	\$ 6,312
Sky Signal Wireless TV, Inc. - cellsite land and equipment	<u>33,842</u>	<u>35,524</u>
	<u>\$ 40,962</u>	<u>\$ 41,836</u>

5. LONG-TERM DEBT

Long-term debt consists of the following:

	<u>2012</u>	<u>2011</u>
5% notes payable to RUS, due in monthly installments of approximately \$29,000 including interest, with final installments due through November 2017.	\$1,645,692	\$1,906,242
Less current maturities	<u>274,253</u>	<u>260,904</u>
	<u>\$1,371,439</u>	<u>\$1,645,338</u>

Substantially all assets are pledged as collateral for the long-term debt due to the RUS.

Maturities of long-term debt are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2013	\$ 274,253
2014	288,284
2015	303,033
2016	318,537
2017	334,834
Thereafter	<u>126,751</u>
	<u>\$1,645,692</u>

SALINA-SPAVINAW TELEPHONE COMPANY, INC.
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

The long-term debt agreements with RUS contain restrictions on dividends to stockholders, redemptions of capital stock, and investments in subsidiaries and affiliates. The restrictions are related in general to the Company's net worth, earnings and assets, as defined in the debt agreements. At June 30, 2012, there was approximately \$3,108,000 available for dividends, redemptions of common stock, and investments in subsidiaries and affiliates.

6. REVENUE SETTLEMENT ADJUSTMENTS

The Company records revenue related to its participation in the Oklahoma High Cost Fund and the National Exchange Carriers Association. Adjustments are made periodically, thereby increasing or decreasing the related revenue accounts. In accordance with industry standards, such adjustments are recorded in the period in which the Company is notified of the amounts. Adjustments relating to prior periods constitute changes in accounting estimates and resulted in a net decrease in revenue of approximately \$52,000 and \$104,000 in 2012 and 2011, respectively.

7. INCOME TAXES

The net deferred tax liability (asset) in the accompanying consolidated balance sheets includes the following components:

	<u>2012</u>	<u>2011</u>
Deferred tax liabilities:		
Property, plant and equipment	\$1,155,295	\$1,137,578
Prepaid expenses	452,360	-
Other	1,835	-
Deferred tax assets:		
Capital loss carryforward	-	(719,492)
Other	<u>(34,507)</u>	<u>(42,908)</u>
Net deferred tax liability	<u>\$1,574,983</u>	<u>\$ 375,178</u>

Income tax expense in the accompanying consolidated statements of income consists of the following:

	<u>2012</u>	<u>2011</u>
Current expense (benefit)	\$ 307,720	\$(345,812)
Deferred benefit	<u>1,199,805</u>	<u>400,667</u>
	<u>\$1,507,525</u>	<u>\$ 54,855</u>

**SALINA-SPAVINAW TELEPHONE COMPANY, INC.
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011**

8. LEASING ARRANGEMENTS

The Company leases its office space under an operating lease expiring in April 2017. Rental expense charged to operations amounted to approximately \$45,000 during 2012 and 2011, respectively. Approximate minimum future rental payments under this noncancellable operating lease are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2013	\$ 45,216
2014	45,216
2015	45,452
2016	46,629
2017	<u>38,858</u>
	<u>\$221,371</u>

9. RETIREMENT PLAN

The Company has adopted for its employees, the retirement program of the National Telephone Cooperative Association ("NTCA") and its member systems. The plan is a defined contribution 401(k) plan and covers substantially all employees who meet age and length of service requirements. Contributions to the plan are made by the Company and are equal to 15% of eligible employee compensation. During 2012 and 2011, contributions by the Company to the NTCA plan were approximately \$304,000 and \$284,000, respectively.

10. RISKS AND UNCERTAINTIES

In November 2011, the FCC released the "USF/ICC Transformation Order and Further Notice of Proposed Rulemaking" (collectively the "Order"), with the stated objective of reforming and modernizing the universal service and intercarrier compensation systems.

To date, numerous petitions for reconsideration of certain aspects of the Order and FNPRM have been filed by certain affected companies and telecommunications industry organizations, and there are also certain court challenges to the Order and FNPRM. In addition, in February 2012, the FCC issued a further order to revise and clarify certain rules of the Order, and to modify certain requirements of the Order. This further order also stated that the above mentioned petitions for reconsideration are pending before the FCC and will be addressed by the FCC.

The final resolution of the above-mentioned petitions for reconsideration and their effect on the ultimate provisions of the Order is unknown at this time. As a result, the effect of the Order on the Company's intercarrier revenues and universal service revenues is not known at this time.

**SALINA-SPAVINAW TELEPHONE COMPANY, INC.
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011**

The Company services various local telephone exchanges in Northeastern Oklahoma. The Company is subject to rate regulation by the Federal Communications Commission and the Oklahoma Corporation Commission. The telecommunications industry is moving into a competitive environment with new competitors and required restructuring of revenue from access charges and support mechanisms. The subject is controversial and difficult to resolve. Therefore, at this time, the impact of such changes both from Federal and State Commissions cannot be determined.

The Company is also subject to audits from federal and state oversight organizations because of its participation in certain high cost funding mechanisms. At this time, the Company does not expect any such audits to have a material effect on its financial statements.

11. CONCENTRATIONS

Approximately \$844,000 or 10% of operating revenues in 2012 and \$1,013,000 or 12% of operating revenues in 2011, derive from regulatory sources, including reimbursements from the Federal Universal Service Fund and the Oklahoma High Cost Fund (included in long distance and access service revenue).

12. RECOVERY OF IMPAIRMENT OF NONOPERATING INVESTMENT

In 2008, the Company purchased for \$4,140,000, 6,900 shares of Series B preferred stock in a development-stage enterprise organized to provide wireless telephone services in multiple states. Because of changing economic conditions and insufficient resources to meet its obligations, this development-stage enterprise filed Chapter 11 bankruptcy and was the target of various lawsuits and claims. As a result, the Company recorded an impairment loss of this nonoperating investment of \$2,578,000, net of income taxes of \$1,562,000 in 2009.

During the year ended June 30, 2012, as a result of lawsuits filed by the Company, the Company reached several settlement agreements with various defendants associated with the development stage enterprise in the amount of \$4,040,000, reflected as recovery of impairment of nonoperating investment on the 2012 consolidated statement of income.

Of the settlement, \$2,590,000 was received in cash during the year ended June 30, 2012, and the remaining \$1,450,000 was agreed to be received in the form of prepaid credits for future services to be received from one of the defendants.

The prepaid credits (of which approximately \$420,000 are included in current prepaid expenses and \$779,000 in noncurrent prepaid expenses) are being amortized at a rate of expected usage of services of approximately \$35,000 per month until fully amortized in the year ended June 30, 2015.



The Board of Directors and Stockholders
Salina-Spavinaw Telephone Company, Inc. and Subsidiaries
Salina, Oklahoma

INDEPENDENT AUDITORS' MANAGEMENT LETTER

We have audited the consolidated financial statements of Salina-Spavinaw Telephone Company, Inc. and Subsidiaries for the year ended June 30, 2012 and have issued our report thereon dated October 15, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and 7 CFR Part 1773, Policy on Audits of Rural Utilities Service (RUS) Borrowers. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the consolidated financial statements of Salina-Spavinaw Telephone Company, Inc. and Subsidiaries for the year ended June 30, 2012, we considered its internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the consolidated financial statements and not to provide assurance on internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described above and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

7 CFR Part 1773.33 requires comments on specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and other additional matters. We have grouped our comments accordingly. In addition to obtaining reasonable assurance about whether the financial statements are free from material misstatements, at your request, we performed tests of specific aspects of the internal control over financial reporting, of compliance with specific RUS loan and security instrument provisions, and of additional matters. The specific aspects of the internal control over financial reporting, compliance with specific RUS loan and

security instrument provisions, and additional matters tested include, among other things, the accounting procedures and records, materials control, compliance with specific RUS loan and security instrument provisions set forth in 7 CFR Part 1773.33(e)(2), and related party transactions and investments. In addition, our audit of the financial statements also included the procedures specified in 7 CFR Part 1773.38-.45. Our objective was not to provide an opinion on these specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, or additional matters, and accordingly, we express no opinion thereon.

No reports (other than our independent auditors' report, and our independent auditors' report on compliance and on internal control over financial reporting, all dated October 15, 2012) or summary of recommendations related to our audit have been furnished to management.

Our comments on specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and other additional matters as required by 7 CFR Part 1773.33 are presented below.

COMMENTS ON CERTAIN SPECIFIC ASPECTS OF THE INTERNAL CONTROL OVER FINANCIAL REPORTING

We noted no matters regarding Salina-Spavinaw Telephone Company, Inc. and Subsidiaries' internal control over financial reporting and their operation that we consider to be a material weakness as previously defined with respect to:

- the accounting procedures and records;
- the process for accumulating and recording labor, material, and overhead costs, and the distribution of these costs to construction, retirement, and maintenance or other expense accounts; and
- the materials control.

COMMENTS ON COMPLIANCE WITH SPECIFIC RUS LOAN AND SECURITY INSTRUMENT PROVISIONS

At your request, we have performed the procedures enumerated below with respect to compliance with certain provisions of laws, regulations, contracts and grants. The procedures we performed are summarized as follows:

- Procedures performed with respect to the requirement for a borrower to obtain written approval of the mortgagee to enter into any contract, agreement, or lease between the borrower and an affiliate of Salina-Spavinaw Telephone Company, Inc. and Subsidiaries for the year ended June 30, 2012:

**COMMENTS ON COMPLIANCE WITH SPECIFIC RUS LOAN
AND SECURITY INSTRUMENT PROVISIONS (CONTINUED)**

- During the year ended June 30, 2012 the borrower did not enter into any new written contracts, agreements, or leases between the borrower and an affiliate as defined in §1773.33(e)(2)(i).
- Procedures performed with respect to the requirement to submit an RUS Annual Operating Report to the RUS are as follows:
 - Agreed amounts reported in RUS Annual Operating Report to Salina-Spavinaw Telephone Company, Inc.'s records.

The results of our tests indicate that, with respect to the items tested, Salina-Spavinaw Telephone Company, Inc. and Subsidiaries complied, except as noted below, in all material respects, with the specific RUS loan and security instrument provisions referred to below. The specific provisions tested, as well as any exceptions noted, include the requirements that:

- The borrower has obtained written approval of the RUS to enter into any contract, agreement, or lease with an affiliate as defined in 7 CFR Part 1773.33(e)(2)(i). However, during the year ended June 30, 2012, the borrower did not enter into any new contracts as previously defined.
- The borrower has submitted its Annual Operating Report to the RUS as of December 31, 2011, represented by the borrower as having been submitted to RUS is in agreement with the Salina-Spavinaw Telephone Company, Inc.'s records in all material respects, appears reasonable based upon the audit procedures performed.

COMMENTS ON OTHER ADDITIONAL MATTERS

In connection with our audit of the consolidated financial statements of Salina-Spavinaw Telephone Company, Inc. and Subsidiaries, nothing came to our attention that caused us to believe that Salina-Spavinaw Telephone Company, Inc. and Subsidiaries failed to comply with respect to:

- The reconciliation of continuing property records to the controlling general ledger plant accounts addressed at 7 CFR Part 1773.33(c)(1);
- The clearing of the construction accounts and the accrual of depreciation on completed construction addressed at 7 CFR Part 1773.33(c)(2);

COMMENTS ON OTHER ADDITIONAL MATTERS (CONTINUED)

- The retirement of plant addressed at 7 CFR Parts 1773.33(c)(3) and (4);
- The approval of the sale, lease, or transfer of capital assets and disposition of proceeds for the sale of plant, material, or scrap addressed at 7 CFR Part 1773.33(c)(5);
- The disclosure of material related party transactions, in accordance with Statement of Financial Accounting Standards No. 57, *Related Party Transactions*, for the year ended June 30, 2011 in the financial statements referenced in the first paragraph of this report, addressed at 7 CFR Part 1773.33(e); and
- The detailed schedule of investments.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The detailed schedule of investments, required by §1773.33(i) and provided below, is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

	<u>Sal-Spav Leasing, Inc.</u>	<u>Sky Signal Wireless T.V., Inc.</u>	<u>SST Long Distance, Inc.</u>	<u>SST Solutions, Inc.</u>	<u>Total</u>
Original Investment Cost	\$ 500	\$ 500	\$ 500	\$ 500	\$ 2,000
Investment Advances through 06/30/11	-	24,226	-	-	24,226
Undistributed Earnings (Loss) Through 6/30/2011	<u>1,365,867</u>	<u>(145,103)</u>	<u>(539,432)</u>	<u>(10,725)</u>	<u>670,607</u>
Book Value of Investment as of 6/30/2011	1,366,367	(120,377)	(538,932)	(10,225)	696,833

COMMENTS ON OTHER ADDITIONAL MATTERS (CONTINUED)

	<u>Sal-Spav Leasing, Inc.</u>	<u>Sky Signal Wireless T.V., Inc.</u>	<u>SST Long Distance, Inc.</u>	<u>SST Solutions, Inc.</u>	<u>Total</u>
Investment Advances during 2012	\$ -	\$ -	\$ -	\$ -	\$ -
Undistributed Earnings (Loss) during 2012	<u>149,407</u>	<u>(2,276)</u>	<u>(19,570)</u>	<u>-</u>	<u>127,561</u>
Book Value of Investment as Of 6/30/2012	<u>\$1,515,774</u>	<u>\$(122,653)</u>	<u>\$(558,502)</u>	<u>\$ (10,225)</u>	<u>\$ 824,394</u>
Accumulated losses in excess of original investment and investment advances	<u>\$ -</u>	<u>\$(122,653)</u>	<u>\$(558,502)</u>	<u>\$ (10,225)</u>	<u>\$(691,380)</u>

Sal-Spav Leasing, Inc. is a wholly owned subsidiary primarily involved in the leasing of automobiles and work equipment to Salina-Spavinaw Telephone Company, Inc.

Sky Signal Wireless T.V., Inc. is a wholly owned subsidiary which operates a wireless television network in the state of Oklahoma.

SST Long Distance, Inc. is a wholly owned subsidiary primarily involved in the resale of long distance telecommunication services.

SST Solutions, Inc. is a wholly owned subsidiary which has been established to handle internet protocol television.

This report is intended solely for the information and use of the board of directors, management, and the Rural Utilities Service and supplemental lenders, and is not intended to be and should not be used by anyone other than these specified parties.

Santan Fischler & Co

October 15, 2012